

# *Student Financial Aid*



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# Student Financial Aid

## Introduction

There are four primary sources of student financial aid: (1) the federal government; (2) state programs; (3) higher education institutions; and (4) other private and community-based organizations. Each year, approximately one-half of the undergraduate students attending public and private, nonprofit postsecondary institutions in Wisconsin apply for need-based financial aid. In 2000-01, the most recent year for which information is available, there were 301,442 financial aid awards totaling approximately \$608.4 million in financial assistance. Of the total amount awarded, 73.3% was based on the students' financial need. The federal government determines the amount of need-based financial aid a student is eligible for, and funds the largest grant, loan and work-study programs which make up the aid "package" that a student receives. In 2000-01, 70.9% of need-based aid to resident undergraduates in Wisconsin was provided through a variety of federal programs. An additional 14.6% was funded by state programs administered by the Higher Educational Aids Board and the institutions themselves awarded 12.0% of the total. The remaining 2.5% was provided from private and other sources.

In determining a student's financial need, the resources of the student and his or her family are compared to the estimated cost of the student's education. The total cost includes tuition, food, housing, transportation, books and miscellaneous day-to-day expenses. The student's financial need is the cost of education that the current

methodology assumes cannot be covered by student or family resources. "Unmet need" is the remaining cost of education that cannot be met by either personal contribution or financial aid. This "unmet need" can be met by additional parental contributions beyond what is assumed, student earnings apart from work-study aid or reductions in costs by the student.

In 2000-01 resident undergraduate students received \$446.2 million in student financial aid, consisting of: \$316.5 million in federal assistance (grants, loans and work study), \$65.3 million in state grants through Higher Educational Aids Board programs, \$4.1 million from private sources, \$53.5 million from institutional grant, work and loan programs and approximately \$6.8 million from other programs.

Table 1 shows need-based financial aid for Wisconsin resident undergraduate students for the

**Table 1: Wisconsin Undergraduate Need-Based Financial Aid (\$ in Millions)**

	1996-97	1997-98	1998-99	1999-00	2000-01
Students Receiving Aid	91,759	92,603	95,380	90,458	89,129
Cost of Education	\$899.2	\$939.7	\$973.7	\$997.5	\$1,027.3
Financial Need Total Aid (All Sources)	\$627.2	\$642.6	\$637.2	\$645.8	\$671.7
Unmet Need	<u>462.1</u>	<u>431.1</u>	<u>419.8</u>	<u>430.0</u>	<u>446.2</u>
	\$165.1	\$211.5	\$217.4	\$215.8	\$225.5
Unmet % of Financial Need	26.3%	32.9%	34.1%	33.4%	33.6%
% Chg in Total Aid	-1.8%	-6.7%	-2.6%	2.4%	3.8%

most recent five years for which data are available.

In 2000-01, need-based aid covered approximately 66.4% of the remaining need, after family contributions, of those students eligible for aid. Between 1996-97 and 2000-01, the average cost of education for an undergraduate student increased by 17.6%, while average need-based aid per student from all sources decreased by 0.6%. However, a significant portion of the decrease in aid can be attributed to a change in the definition of need-based aid. Beginning in 1998-99, most private assistance, aid provided by the colleges and universities themselves, as well as aid from other sources, has been categorized as non need-based aid. Further, prior to 1997-98, some unsubsidized federal Stafford loans, which are not based on need, were incorrectly identified as need-based aid and included in the data.

This paper presents an overview of state and federal financial aid programs. The first section discusses the methodology used to determine student financial need. The second section briefly describes the various sources of financial aid. The third section provides a more detailed description of each financial aid program. The fourth section discusses the process used to distribute financial aid. The final section provides interstate comparisons.

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### **Needs Analysis**

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The cost of postsecondary education varies greatly depending upon one's situation. In Wisconsin, the items that comprise educational costs such as tuition and fees, room and board, books and supplies, transportation and personal expenses can range from under \$7,500 annually for a student attending a Technical College System institution full-time and living at home to over \$28,000 for a student attending an independent college and living on campus. Financial aid is

awarded based upon a systematic evaluation of a student's financial need, using the guiding principle that students and their families are primarily responsible, depending on their resources, for paying for a postsecondary, undergraduate education.

Congress has established a needs analysis system, referred to as the "federal methodology," which determines how much families and students must contribute towards the cost of their education. Students are expected to pay a part of their education from their earnings and savings. The contribution that a parent is expected to make takes into account family income, assets, number of children and other dependents in the household, number of family members enrolled in higher education, liabilities, and unusual financial circumstances. The expected family contribution is determined from the portion of their income or assets which is determined to be "discretionary." In general, this family contribution increases with the family's discretionary income.

Although costs vary from school to school, the amount one is able to pay remains the same. The student's financial need is the difference between his or her expense budget for a school or college and the amount the family, including the student, is expected to contribute. The college then attempts to meet this need through an offer of a package of financial aid programs. Financial aid can be a combination of one or more types of assistance including scholarships, grants, loans or work, depending upon a student's financial need and eligibility for a variety of programs.

In most cases, to be eligible to receive aid from the general need-based programs discussed in this paper, a student must:

- Demonstrate financial need.
- Have a high school diploma or a general educational development (GED) certificate.

- Be enrolled as a degree-seeking student.
- Be a U.S. citizen or an eligible noncitizen.
- Have a social security number.
- Make satisfactory academic progress in a degree or certificate-granting program, which is usually defined by the school, but often viewed as maintaining a "C" average.
- Register with the Selective Service, if required.
- At least 24 years of age.
- Married.
- A graduate or professional student.
- Someone with legal dependents other than a spouse.
- An orphan or ward of the court.
- A veteran.

Some of the programs described in this paper such as the federal Stafford Loan, PLUS Loan and Direct Student Loan programs require the student to be enrolled at least half-time, which is usually defined as at least twelve credits per year. This is not a requirement to receive federal aid under the Pell Grant, Supplemental Educational Opportunity Grant, Work-Study and Perkins Loan programs. Students attending less than full-time would have their cost of education proportionately reduced, which would affect their financial need and in turn, the amount of financial aid they would receive.

Another determination made when one applies for financial aid is the student's dependency status. Dependency status is based on whether one is considered a dependent of one's parents and consequently must report their parents' income as well as their own, or whether one is financially independent of their parents. This determination is necessary because most student aid programs are based on the assumption that parents have the primary responsibility of paying for their children's education, whether they choose to or not. Students who have access to parental support, according to federal guidelines, should not receive financial aid at the expense of students who do not have that access. A student is considered independent for financial aid purposes if he or she is one of the following:

Table 2 shows an estimate of a student base budget for a full-time resident undergraduate student for the 2002-03 academic year as prepared by the financial aid office at UW-Milwaukee. In both columns, the data are for a dependent student. The budget figures in the first column are for a student living at home with a parent and the figures in the second column are for a dependent student living away from home. In this estimate, tuition accounts for 45.4% or 35.3% of the student's total budget while expenses other than tuition comprise the majority of the student's budget. In addition to the expenses shown for a dependent student, an independent student would have medical expenses estimated at \$578.

**Table 2: Dependent Student Base Budget Estimates -- 2002-03 Academic Year (9 Months)**

	Living With Parent	Living Away From Home
Tuition and Fees	\$4,426	\$4,426
Books/Supplies	712	712
Room	0	2,770
Board	2,184	2,184
Transportation	1,024	1,024
Medical	0	0
Personal/Misc.	<u>1,410</u>	<u>1,410</u>
Total	\$9,756	\$12,526

## Sources of Financial Aid

Financial aid is provided by a number of sources:

**Federal Government.** In 2000-01, over 70% of the financial aid to resident undergraduate students was provided by the federal government. This aid included \$105.0 million in need-based grants and \$174.5 million in Stafford Student Loans and Supplemental Loans for Students. Approximately one-third of the cost of education of those receiving need-based financial aid in 2000-01 was met by federal funds. Table 3 provides expenditure levels for the major need-based financial aid programs administered by the U.S. Department of Education. These include the Pell Grant, Supplemental Education Opportunity Grant (SEOG), College Work Study, Perkins Loan, Stafford Loan/Supplemental Loan for Students (SLS) and Bureau of Indian Affairs Grants.

**Higher Educational Aids Board (HEAB).** The Higher Educational Aids Board is the primary agency responsible for the management and oversight of the state's student financial aid system for Wisconsin residents attending institutions of higher education. As such, HEAB administers state-funded, student financial aid programs and negotiates interstate higher education reciprocity agreements. The Board is a part-time, independent

policy making body composed of 11 members: the State Superintendent of Public Instruction; three members, including one from each of the UW Board of Regents, the Wisconsin Technical College System (WTCS) Board, and a Board of Trustees of an independent college or University in the state; three financial aid administrators, including one from each of the UW System, WTCS, and a private nonprofit college or university in the state; three undergraduate students, including one from each of the UW System, WTCS, and a private nonprofit college or university in the state; and one member of the general public. Except for the State Superintendent, all Board members are appointed by the Governor. Student members of HEAB serve two-year terms while nonstudent members serve staggered, three-year terms. HEAB has a staff of 13.0 full-time equivalent (FTE) employees including an Executive Secretary who is appointed by the Governor.

By statute, HEAB must use the "nationally approved needs methodology." Table 4 shows a history of funding for HEAB-administered need-based financial aid programs. Prior to 1998-99, all of these aid programs were supported with state, general purpose revenue (GPR) dollars. A provision in 1999 Act 9, the 1999-01 state budget, transferred funding for the Indian student assistance grant program from GPR to program revenue (PR) derived from tribal gaming compacts. Act 9 also created a Wisconsin Higher Education Grant (WHEG) program for tribal college students

**Table 3: Federal Financial Aid Programs (\$ in Millions)**

	1991-92	1992-93	1993-94	1994-95	1995-96	1996-97	1997-98	1998-99	1999-00	2000-01
Pell Grant	\$90.6	\$93.7	\$77.7	\$72.8	\$66.9	\$65.1	\$68.5	\$80.0	\$83.4	\$86.7
SEOG	11.8	12.9	13.8	13.6	13.2	12.8	14.3	15.4	15.0	14.4
College Work Study	12.6	12.8	13.2	11.8	12.1	13.0	14.7	14.8	13.7	13.6
Perkins Loan	16.1	17.5	18.6	19.8	23.5	21.3	20.9	22.6	22.5	24.3
Stafford Loan/SLS	127.6	139.1	195.3	203.8	230.4	218.2	187.9	180.5	181.7	174.5
LEAP (formerly SSIG)	1.3	1.5	1.5	1.5	1.3	0.7	1.1	0.5	0.5	0.9
Bureau of Indian Affairs	1.0	0.9	1.2	1.2	1.2	1.6	2.5	2.7	3.1	3.0
<b>TOTAL</b>	<b>\$261.0</b>	<b>\$278.4</b>	<b>\$321.3</b>	<b>\$324.5</b>	<b>\$348.6</b>	<b>\$332.7</b>	<b>\$309.9</b>	<b>\$316.5</b>	<b>\$319.9</b>	<b>\$317.4</b>
Percent Change	12.7%	6.7%	15.4%	1.0%	7.4%	-4.6%	-6.9%	2.1%	1.1%	-0.8%

**Table 4: HEAB Need-Based Programs (GPR and PR Funds)**

	1994-95	1995-96	1996-97	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03*
Wisc. Higher Ed. Grant**	\$25,237,806	\$23,596,152	N.A.						
UW Students			\$15,871,482	\$15,751,149	\$17,470,802	\$16,854,076	\$20,641,159	\$19,380,141	\$21,839,600
WTCS Students			10,618,597	11,230,344	11,795,124	11,354,630	13,879,602	14,157,863	14,874,000
Tribal College Students	N.A.	N.A.	N.A.	N.A.	N.A.	374,868	432,280	399,776	404,000
Tuition Grant	16,145,913	15,859,809	16,231,858	17,462,100	18,090,754	17,412,235	23,181,819	21,141,847	22,103,700
Talent Incentive Grant***	4,083,997	3,870,730	4,073,641	3,497,582	4,287,990	3,935,402	4,598,887	4,322,235	4,503,800
Indian Student Grant	1,565,939	777,671	747,169	744,336	727,181	755,205	784,444	748,575	787,600
Handicapped Student Grant	146,273	143,260	113,219	109,286	99,158	110,803	83,210	107,049	123,800
Minority Student Grant	831,241	858,348	687,023	677,613	693,961	690,574	698,376	720,542	756,900
Nursing Student Stipend Loan	324,505	95,113	12,413	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Nursing Student Loan Program	N.A.	450,000							
Minority Teacher Loan ****	22,500	22,550	109,250	113,930	232,852	236,978	239,952	238,662	262,100
Independent Student Grant	182,986	175,527	149,560	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Teacher Education Loan	N.A.	N.A.	N.A.	150,000	234,000	248,000	250,000	240,000	275,000
<b>TOTAL</b>	<b>\$48,541,160</b>	<b>\$45,399,160</b>	<b>\$48,614,212</b>	<b>\$49,736,340</b>	<b>\$53,631,822</b>	<b>\$51,972,771</b>	<b>\$64,789,729</b>	<b>\$61,456,690</b>	<b>\$66,380,500</b>
Expenditure Change	5.4%	-6.5%	7.1%	2.3%	7.8%	-3.1%	24.7%	-5.1%	8.0%

N.A. Not applicable

\* Budgeted

\*\* Prior to 1996-97, WHEG awards for both Technical College students and UW students were made from one appropriation.

\*\*\* Does not include federal Leveraging Educational Assistance Partnership (LEAP) monies.

\*\*\*\* Funding for 1996-97 reflects the transfer of \$100,000 from UW's Minority Teacher Loan program.

that is also funded with tribal gaming revenues. Except for 2002-03, the data shown in the table reflects actual expenditures. Budgeted amounts are shown for 2002-03.

In addition to the need-based programs shown in Table 4, HEAB administers the Academic Excellence Scholarship (AES) program which provides merit-based scholarships. Table 5 shows 2001-02 program expenditures and the number of students receiving aid for all HEAB financial aid programs. The total expenditure amount shown in Table 5 for 2001-02 differs from that shown in Table 4 because Table 5 includes the AES program, which is not need-based, as well as federal funding provided for talent incentive grants.

**University of Wisconsin System.** The UW System currently administers two state-funded financial aid programs for minority and disadvantaged students: the Advanced Opportunity Program; and the Lawton Minority Undergraduate Retention Grant. In addition, individual campuses provide over \$23.2 million in

gift and endowment funds for grants and loans.

**Other State Agencies.** The Departments of Administration, Veterans Affairs, Commerce, Public Instruction, and Military Affairs administer

**Table 5: HEAB -- 2001-02 Program Expenditures**

	Number of Awards	Total Expended	Average Award
WI Higher Education Grant			
UW Students	19,149	\$19,380,141	\$1,012
WTCS Students	20,246	14,157,863	699
Tribal College Students	290	399,776	1,379
Tuition Grant	11,089	21,141,847	1,907
Talent Incentive Grant*	4,313	5,468,556	1,268
Academic Excellence Scholarship	2,781	3,021,312	1,086
Indian Student Grant	818	748,575	915
Minority Student Grant			
Private College Students	274	358,746	1,309
WTCS Students	348	361,796	1,040
Handicapped Student Grant	68	107,049	1,574
Minority Teacher Loan	109	238,662	2,190
Teacher of the Visually Impaired	7	55,066	7,867
Teacher Education Loan	136	240,000	1,765
<b>TOTAL</b>	<b>59,628</b>	<b>\$65,679,389</b>	

\*Includes federal Leveraging Educational Assistance Partnership monies.

financial aid programs for a select group of students.

**Independent Colleges.** Wisconsin's independent colleges and universities provide their own institutional aid for their students in addition to federal or state programs.

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## Financial Aid Programs

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Financial aid may be provided in a number of forms:

**Grants** - direct forms of financial aid, usually provided on the basis of financial need, that do not have to be repaid. In 2000-01, state, federal and institutional grant programs accounted for 50.3% of need-based financial assistance.

**Loans** - financial aid that must be repaid. These loans can have their interest partially subsidized by a governmental agency and, in order to gain favorable interest rates, loan repayment may be guaranteed by a public or private agency. Some loans can have their principal forgiven if the recipient adheres to certain conditions, such as becoming a teacher in an inner city school or a physician in a medically underserved area. In 2000-01, student loan programs accounted for 45% of all need-based undergraduate financial assistance and 64% of non-need-based undergraduate financial assistance.

**Scholarships** - grants awarded completely or partly on the basis of grades, other achievements, or satisfying special conditions, such as a parent working for a particular employer or being a veteran.

**Remissions, Reciprocity** - institutions may remit or forego part of a student's tuition under certain conditions. In addition, states or individual institutions may have reciprocity agreements which enable a student from one state to attend a

public institution in another state without having to pay nonresident tuition. Such an agreement exists between Minnesota and Wisconsin.

The following section provides descriptions, based on statutory requirements and HEAB policy, of the principal financial aid programs available to Wisconsin students. Unless otherwise indicated, program data is for Wisconsin resident undergraduate students attending college in-state. The administering entity is indicated in parentheses after the title of each program.

### Grant Programs

**1. Pell Grant (Federal).** This program, which provides the largest amount of grant aid to Wisconsin undergraduate students, is an entitlement program that ensures that all students who qualify for a grant receive an award. However, in recent years, the program has not been fully funded by Congress and consequently, the largest grants awarded have been less than the maximum amount permitted by law. It is intended to be the base upon which other financial aid is built because, in general, students eligible for Pell Grants are eligible for other forms of aid. In 2002-03, undergraduate students enrolled at least half-time and whose expected family contribution is less than \$3,800, are eligible to receive award amounts expected to range from a minimum of \$400 to a maximum of \$4,000 annually. For students enrolled less than full-time, grants are reduced proportionately. Students who receive a Pell Grant are eligible to receive the grant for up to five years as long as they maintain satisfactory academic progress and a "C" average. In 2000-01, 45,966 Pell Grants were awarded for a total of \$86.7 million, or an average of \$1,886 per grant.

**2. Supplemental Educational Opportunity Grant (Federal).** The SEOG is a campus-based program administered by financial aid officers at each participating postsecondary institution for undergraduates with exceptional financial need. Unlike the Pell Grant, which provides funds to every eligible student, each participating

institution receives a certain amount of SEOG funds based upon a formula that considers the state's share of the national undergraduate student enrollment. Beginning in federal fiscal year 2000, each institution received at least the amount they received in 1999. The Federal Methodology is used to determine student aid eligibility and priority is given to students who receive Pell Grants. Awards are based on the availability of SEOG funds and the amount of other aid the student receives, as well as financial need. Undergraduates enrolled full-time or part-time are eligible for awards ranging from \$100 to \$4,000 per year. In 2000-01, SEOG awards of \$14.4 million were provided to 21,605 Wisconsin students, for an average of \$666 per grant.

**3. Wisconsin Higher Education Grant (HEAB).** The WHEG program provides grants to resident undergraduate students enrolled at least half-time at UW, Technical College institutions, and tribal colleges located in Wisconsin. Eligible students may receive grants of \$250 to \$1,800 per year for no more than ten consecutive semesters. All awards are based on financial need. A student's need is established using the Federal Methodology, but WHEG award amounts are calculated by formulas approved by HEAB.

WHEG awards are currently funded under three separate appropriations, one each for UW students, WTCS students and tribal college students. Prior to 1996-97, only UW and WTCS students were eligible for the grants, which were funded from one appropriation. The 1995-97 state budget split the funding for the WHEG program into two appropriations, with one for UW students and one for WTCS students, beginning with the 1996-97 academic year. Prior to 1996-97, HEAB approved one formula for the distribution of WHEG funds. By varying its allocation of funds based on independent/dependent status, the Board determined the number of Technical College (primarily independent) and UW System (primarily dependent) students who were eligible to receive awards. Beginning in the spring of 1996,

the UW Board of Regents and the WTCS Board were each required to annually submit a proposed formula for distribution of WHEG awards for the following academic year to students enrolled in their respective systems. HEAB then approved one formula for each system. A provision in the 1999-01 budget created a new appropriation for WHEG awards to students attending tribal colleges in Wisconsin. These grants, which are funded with revenues from tribal gaming compacts, replaced grants that had been awarded to tribal college students under the tuition grant (TG) program during the 1997-99 biennium. Annually, the two tribal colleges in the state, Lac Courte Oreilles Ojibwa Community College and College of the Menominee Nation, submit a proposed formula for distribution of the grants to their students. Currently, HEAB approves three separate formulas for the distribution of funds under the WHEG program, one for each sector.

In 2001-02, a total of \$33,937,780 was expended for WHEG grants to students in all three sectors. Of the total, 19,149 UW students received \$19,380,141, 20,246 WTCS students received \$14,157,863, and 290 tribal college students received \$399,776.

Prior to 1999, the law required that grant amounts be established separately for dependent and independent students. Modifications to the formula factors resulted in different distributions of funds among dependent and independent students. Historically, the WHEG formula provided larger grants to dependent students than to independent students, reflecting the focus on traditional 18 to 24-year old college students. However, in the late 1990s, both the Board of Regents and the WTCS Board began to recommend formulas that intended to provide for greater equity between the two groups by increasing awards for independent students while maintaining award amounts for dependent students at a relatively stable level. At the request of the two agencies and HEAB, a provision in the 1999-01 state budget repealed the requirement for separate formulas and instead required HEAB to

award grants based on a formula that accounts for expected parental and student contributions and that is consistent with nationally approved needs analysis methodology.

Between 1996-97 and 2001-02, the average award for an independent student with a family increased from \$646 to \$760 for WTCS students and from \$767 to \$1,095 for UW students. During the same period, average grants to dependent students decreased from \$964 to \$637 for WTCS students and from \$992 to \$979 for UW students. Table 6 shows WHEG program expenditures from 1992-93 through 2001-02.

A provision in 2001 Act 109 (the 2001-03 budget adjustment act) linked WHEG-UW funding increases to tuition increases at the UW System. Effective July 1, 2003, the appropriation for WHEG-UW will change from a biennial sum certain to a capped sum sufficient appropriation. Act 109 specified that the appropriation amount in any year would be the prior year amount adjusted by the applicable percentage increase in undergraduate resident tuition, rounded to the nearest \$100. However, if tuition were to decrease or remain unchanged, funding would remain at the prior year amount.

**4. Tuition Grant (HEAB).** The TG program provides need-based funds to resident

undergraduates who attend private, nonprofit postsecondary institutions in Wisconsin. A provision in 1997 Act 27 (the 1997-99 budget) extended eligibility for TG awards to students enrolled at least half-time at tribal colleges in the state and this change first took effect in 1997-98. As previously noted, however, this provision was repealed in the 1999-01 state budget. Students attending tribal colleges are currently eligible for WHEG awards.

Award amounts for TG recipients are determined using a statutory formula that relies in part on the amount by which the student's tuition exceeds UW-Madison tuition. Therefore, in the case of two applicants with the same expected family contribution, the applicant for whom this tuition differential is greater would be eligible to receive a larger award. Tuition grants are calculated by HEAB after federal Pell Grant eligibility has been determined, but are made independent of the Pell Grant award. Each year HEAB approves a formula for distribution of TG funds which is based on dependency status and the percentage of students expected to decline the awards (overawards). Overawards are limited by statute to 22% of the anticipated grants.

Students enrolled at least half-time are eligible for grants ranging from \$250 to \$2,350 per year for no more than ten semesters. Prior to 2001 Act 16

**Table 6: Wisconsin Higher Education Grants**

	UW System			Wisconsin Technical Colleges			Total
	Number of Students	Expenditures	Average Award	Number of Students	Expenditures	Average Award	
1992-93	21,329	\$12,917,399	\$606	18,653	\$8,362,227	\$448	\$21,279,626
1993-94	22,017	13,199,531	600	20,349	10,052,978	494	23,252,509
1994-95	22,048	14,493,738	657	20,120	10,744,068	534	25,237,806
1995-96	20,305	12,774,612	629	18,336	10,821,540	590	23,596,152
1996-97	19,205	15,871,482	826	15,927	10,618,597	667	26,490,079
1997-98	18,836	15,751,149	836	15,186	11,230,344	740	26,975,870
1998-99	18,379	17,470,802	951	15,561	11,795,124	758	29,265,926
1999-00	16,669	16,854,074	1,011	15,173	11,354,630	748	28,208,704
2000-01	17,943	20,641,159	1,150	18,892	13,879,602	735	34,520,761
2001-02	19,149	19,380,141	1,012	20,246	14,157,863	699	33,538,004

(the 2001-03 budget), the maximum award was statutorily set at \$2,300. Act 16 authorized HEAB to establish the maximum grant award if the Board determines that increasing the grant maximum would not decrease the total number of grant recipients receiving an award in the current year from the number who received an award in the previous year.

The private colleges with the largest number of TG recipients in 2001-02 were Marquette University (1,324), Alverno College (924), Carroll College (845), and Viterbo College (728). Table 7 shows TG program funding from 1992-93 through 2001-02.

**Table 7: Tuition Grant Program**

	Number of Students	Expenditures	Average Award
1992-93	8,751	\$14,126,580	\$1,614
1993-94	8,841	16,333,189	1,847
1994-95	8,880	16,145,913	1,818
1995-96	8,690	15,859,809	1,825
1996-97	9,067	16,231,858	1,790
1997-98	9,788	17,462,100	1,784
1998-99	9,406	18,090,754	1,923
1999-00	9,306	17,412,235	1,871
2000-01	12,343	23,181,819	1,878
2001-02	11,089	21,141,847	1,907

#### 5. Talent Incentive Grant Program (HEAB).

This program (known as TIP) is intended to enhance educational opportunities and encourage attendance in postsecondary educational institutions. These grants are restricted to the most needy and educationally disadvantaged students selected by the staff of the Wisconsin Educational Opportunity Program (WEOP) in the Department of Public Instruction and institutional financial aid officers. TIP is supported by state general fund monies and federal funds through the Leveraging Educational Assistance Partnership (LEAP) Program, formerly called the State Student Incentive Grant (SSIG) program, and the federal Supplemental Leveraging Educational Assistance

Partnership (SLEAP) Program. These monies are distributed to states on a formula basis, must be matched on a dollar-for-dollar basis with state funds and can only be used to supplement financial aid programs that are not restricted to students attending a particular type of institution. Between 1986-87 and 1994-95, federal contributions to the TIP program averaged approximately \$1.5 million per year. However, between 1994-95 and 1999-00 the federally funded contribution for the program decreased to a low of approximately \$532,700. Despite attempts to eliminate funding for the program at the federal level, funding has increased over the past several years, and total expenditures in 2001-02 were \$5,468,556 of which \$4,332,235 was GPR funded.

Only students receiving TIP awards as freshmen are eligible to receive awards as upperclassmen; a student is eligible for a TIP award for no more than ten consecutive semesters. Freshmen TIP awards are made by financial aid officers and WEOP counselors and HEAB determines the awards for those who continue to enroll as upperclassmen. Unlike other financial aid programs, TIP funding is guaranteed, by statute, for continuing upperclassmen, thus obligating HEAB to four years of support once an initial award is made.

Students are eligible for both a maximum TIP award as well as a maximum WHEG or TG award. Freshmen may receive TIP awards of \$600 to \$1,800 while the maximum award for upperclassmen varies from year to year depending on the amount of federal funds received. In 2002-03, the maximum was \$1,800. Table 8 shows TIP expenditure levels for the UW System, WTCS and private college sectors from 1992-93 through 2001-02.

#### 6. Handicapped Student Grant (HEAB).

Prior to 1996-97, this program was funded from the WHEG appropriation. In 1995 Act 27, a separate appropriation was established for the program under which Wisconsin residents who are enrolled as undergraduates at an in-state or eligible out-of-

**Table 8: Talent Incentive Grant Program\***

	UW System			Wisc Tech Colleges			Private Colleges		
	Number of Students	Expenditures	Average Award	Number of Students	Expenditures	Average Award	Number of Students	Expenditures	Average Award
1992-93	2,454	\$2,251,267	\$921	1,302	\$1,261,267	\$969	1,233	\$1,366,019	\$1,108
1993-94	2,387	2,370,588	993	1,319	1,356,950	1,029	1,191	1,352,800	1,136
1994-95	2,501	2,583,413	1,033	1,504	1,549,044	1,030	1,230	1,467,094	1,193
1995-96	2,383	2,456,691	1,031	1,393	1,410,588	1,013	1,151	1,328,641	1,154
1996-97	2,405	2,290,069	952	1,313	1,256,262	957	1,125	1,192,784	1,060
1997-98	2,160	2,362,929	1,094	1,127	1,047,305	929	1,032	1,150,927	1,115
1998-99	2,257	2,449,785	1,085	1,041	1,230,974	1,041	969	1,139,885	1,176
1999-00	2,130	2,254,554	1,058	1,075	1,147,670	1,068	901	1,042,297	1,157
2000-01	2,100	2,735,493	1,303	1,091	1,402,828	1,286	889	1,280,521	1,440
2001-02	2,188	2,756,147	1,260	1,119	1,344,032	1,201	901	1,239,707	1,376

\*Includes both state funds and federal state student incentive grant monies.

state public or private, nonprofit postsecondary institution and who have a hearing or visual impairment are eligible for financial assistance. The eligible out-of-state institutions include Rochester Institute of Technology (NY), Gallaudet College (DC), St. Paul Technical and Vocational Institute (MN), St. Mary's Junior College (MN), California State University-Northridge National Center on Deafness, and Northern Illinois University. All awards are based on financial need. Students are eligible for a maximum grant of \$1,800 a year for up to ten semesters in addition any grants received under the WHEG or TG programs. Additional costs such as special equipment and materials are included along with expenses covered in the standard student budget. In 2001-02, 68 hearing impaired or visually impaired students received a total of \$107,049 under this program with awards averaging \$1,574. The largest group of award recipients (38) attended Wisconsin Technical College System institutions. Two students attended out-of-state colleges, with both enrolling at Gallaudet University.

**7. Indian Student Assistance Grant (HEAB).** These funds are awarded to resident Native Americans who have at least one-quarter Indian blood or are recognized as a member of a tribe by the appropriate tribal government. Full- and part-time graduate or undergraduate students who

attend accredited institutions of higher education in the state are eligible for financial assistance. Grants are based on financial need and may be received for a total of five years. A provision in 1995 Act 27 reduced the maximum grant from the state from \$2,200 to \$1,100. While the Act also allowed GPR grants to be matched by a contribution from a federally recognized Indian tribe or band, tribal governments had been providing matching funds for most grants prior to the change in the law. Prior to 1999-00, the program was funded with GPR monies. However, a provision in 1999 Act 9 transferred funding for the program to program revenues derived from the state's Indian gaming compacts. In 2001-02, 267 students enrolled at Wisconsin tribal colleges received grants totaling \$244,065. UW institutions enrolled 238 students who received \$229,629; Wisconsin Technical Colleges enrolled 262 students who received \$228,896; and there were 51 students enrolled in private institutions or proprietary schools who received \$45,985. Statewide, the average grant was \$915.

**8. Minority Undergraduate Retention Grant (HEAB).** Under this program, awards are made to resident minority undergraduates, excluding freshmen, enrolled at least half-time at Wisconsin Technical Colleges or private, nonprofit postsecondary institutions in the state. According

to the statutes, a minority student is defined as a student who is either a Black American, American Indian, Hispanic, or Southeast Asian admitted to the U.S. after December 31, 1975. Awards are based on financial need with a maximum grant of \$2,500 a year for up to eight semesters. HEAB allocates funds to eligible institutions based on their enrollment of resident minority students.

In 2001-02, \$361,796 was awarded to 348 technical college students with an average award of \$1,040. A total of 274 students attending private colleges or tribal colleges received \$358,746 with an average award of \$1,309.

**9. Independent Student Grant (HEAB).** Until it was eliminated in 1997-98, this program provided grants to resident students who were enrolled at a public or private postsecondary institution in the state and were receiving aid to families with dependent children (AFDC). Students who were enrolled in either the second or third year of an associate degree program or in the third, fourth or fifth year of a bachelor's degree program could qualify for need-based grants of up to \$4,000 a year for up to three years. Certain grant recipients who no longer reside in state or who have not successfully completed requirements for a degree within five years of receiving a grant are required to repay the grant amount at a 5% annual interest rate.

Due to the elimination of AFDC under the Wisconsin Works program, a provision in 1997 Act 27 deleted funding for the program and specified that no students could receive an initial grant under the program after the 1996-97 academic year. A total of 801 students received grants under the program. As of 2001-02, 616 recipients had their grant repayment forgiven, nine students had repaid their grants in full, 169 were in repayment, and seven had refunded their grants.

**10. Advanced Opportunity Program (UW System).** The AOP program provides grants to minority and economically disadvantaged

graduate students enrolled at UW institutions. In 2001-02, the most recent year for which data are available, 82% of the grants were provided to minority students. Eligibility requirements vary by campus but are primarily based on financial need and/or academic performance. This is the only state-funded financial aid program that provides funds to nonresident students who are not covered by the Minnesota-Wisconsin Higher Education Reciprocity Agreement. While there are no statutory limits on the grant amount or number of eligible semesters, the program is funded through a sum certain appropriation. In 2001-02, 523 students received AOP awards totaling \$4,721,869: 297 residents received awards averaging \$8,379 and 226 nonresidents received awards averaging \$9,882. The UW treats AOP as a fellowship, rather than a grant program, thus making AOP recipients eligible for fringe benefits, primarily health insurance. Because nonresident AOP recipients also receive tuition remissions, the value of these grants to nonresidents is considerably higher than the amount of the AOP award. AOP recipients are also eligible for assistantships. Base GPR funding for this program is \$4,905,900 in 2002-03.

**11. Ben R. Lawton Minority Undergraduate Grant (UW System).** The Lawton Grant provides financial assistance to minority resident and Minnesota reciprocity students who demonstrate financial need. Sophomores, juniors, and seniors, enrolled for at least six credits, are eligible for up to four years of support and an annual maximum grant of \$2,500. Since freshmen are not eligible for Lawton grants, this is a retention, rather than a recruitment program. Lawton grants are provided as "last dollar" grants, which means that they are awarded after all other aid for which a student is eligible has been determined. In 2001-02, 2,072 students received a total of \$2,766,620 averaging \$1,335 per grant. Base GPR funding in 2002-03 for this program is \$3,080,800. Under 2001 Act 109, annual funding increases for the Lawton appropriation will be linked to the highest prior year increase for undergraduate resident tuition at any UW System institution starting in 2003-04, in

the same way as the WHEG-UW program.

**12. Bureau of Indian Affairs Grant (Federal).** A grant available to students who are at least one-quarter Native American in a federally recognized tribe and who meet eligibility criteria established by the tribal affiliations. The appropriate tribal office selects eligible students and determines the amount of each award. The student is eligible for a BIA grant for up to five years. In 2000-01, 942 students received BIA grants totaling \$2,957,838 with an average award of \$3,140.

**13. Veterans Tuition and Fee Reimbursement Grants (Veterans Affairs).** This program provides, upon an eligible veteran's successful completion of a semester, reimbursement of 85% of the cost of the veteran's eligible undergraduate tuition and fees not to exceed 85% of the cost of UW-Madison resident undergraduate tuition and fees. The veteran may attend any UW institution or state technical college or similar institution in Minnesota that has a reciprocity agreement with Wisconsin. Veterans with a service-connected disability (rated 30% or higher by the USDVA) may be reimbursed for up to 100% of tuition and fees. For this program, veterans must be within ten years of their release date from active duty and have an annual income of less than \$47,500 (plus \$500 for each dependent in excess of two). Veterans may receive grants for a total of eight full-time semesters of study, or 120 credits of part-time study. In 2001-02, 1,257 reimbursement grants were awarded, totaling \$1,772,165 and averaging \$1,410 each.

**14. Veterans Part-Time Study and Correspondence Course Grants (Veterans Affairs).** For part-time study or correspondence courses, eligible veterans with annual incomes under \$47,500 (plus \$500 additional income allowed for each dependent in excess of two) may receive reimbursement for up to 85% of the cost of tuition and fees. Veterans may attend any UW institution, state technical college, accredited private college in Wisconsin, or similar institution that has a tuition reciprocity agreement with Wisconsin. In addition, proprietary trade and vocational schools are also eligible.

Eligible veterans may attend part-time study courses outside of Wisconsin if no institution within 50 miles of the veteran's residence offers a similar course, and the institution is within 50 miles of the state border. Correspondence courses may only be taken from an out-of-state institution if no similar correspondence course is offered in Wisconsin. Reimbursement for courses under this program may not exceed 85% of the per course cost of UW-Madison resident undergraduate tuition and fees. To qualify as a part-time student, undergraduates must carry 11 credits or less, and students with a bachelor's degree must carry eight credits or less. In 2001-02, 1,028 grants were awarded, totaling \$535,267 and averaging \$521 each.

**15. National Guard Tuition Grants (Military Affairs).** Tuition grants are available to members of the Wisconsin National Guard enrolled in any UW institution, state technical college, or any approved institution of higher education in the United States as determined by the Wisconsin Higher Educational Aids Board. Wisconsin National Guard members are eligible to receive grants, on a reimbursable basis, equal to 100% of undergraduate tuition costs at eligible institutions. Grants are limited to 100% of the cost of UW-Madison resident undergraduate tuition. The grants may be received for up to eight semesters of full time study or 120 credits of part-time study. Eligibility is limited to enlisted members and warrant officers of the Wisconsin National Guard and reimbursement for post-baccalaureate degree work is not permitted. In 2001-02, 3,750 grants were awarded, totaling \$4,199,423. Average fall and spring semesters grants were \$1,157 each and average summer session grants were \$592 each.

### **Forgivable Loan Programs**

**1. Nursing Student Loan (HEAB).** In 2001 Act 16, a loan program for nursing students was created, beginning in 2002-03. These loans are provided to Wisconsin residents who are enrolled at least half-time at an eligible in-state institution that prepares them to be licensed as nurses, either

RN or LPN. The maximum award per year is \$3,000 with an overall maximum of \$15,000. Students who participate in the program must agree to be employed as a licensed nurse in Wisconsin. For each of the first two years that individual practices nursing in Wisconsin and meets the eligibility criteria, 25% of the loan is forgiven. The balance remaining after forgiveness must be repaid at an interest rate not to exceed 5% annually. If the student does not practice nursing in Wisconsin and meet the eligibility criteria, the loan must be repaid at an interest rate not to exceed 5%. Act 16 provides \$450,000 GPR in 2002-03 to fund grants under the nursing student loan program.

**2. Minority Teacher Loan (HEAB).** This program provides loans, at 5% interest, of up to \$2,500 per year to a maximum of \$5,000, to resident minority undergraduate students who: (1) are enrolled at least half-time at a UW campus or private, nonprofit postsecondary institution in Wisconsin; (2) are registered as juniors or seniors or hold a bachelor's degree and are registered as special students; (3) are enrolled in programs leading to teacher licensure and are not currently licensed; (4) meet academic criteria specified by HEAB; and (5) agree to teach in a school district located in the state in which minority students constitute at least 29% of total enrollment or in a school district participating in the interdistrict pupil transfer (Chapter 220) program. The loan principal and interest is forgiven at a rate of 25% for each year the recipient teaches in an eligible school district. If the student does not teach in an eligible district, the loan must be repaid with the funds deposited in the general fund.

For 2001-02, a total of \$238,662 was expended for 109 students, averaging \$2,190 per student. Of these students, 76 were enrolled at UW institutions and 33 were enrolled at private colleges. UW-Milwaukee, with 52 students, had the most participants. Under the forgiveness component of the program, out of 818 borrowers, over 37% are either forgiven or paid in full. An additional 47%

are either in forgiveness or repayment, approximately 6% are still enrolled at least half-time in school, and 7% withdrew from the program and refunded the money. The remaining 2.5% have deferred loan repayment, are in forbearance, or have defaulted; of those students, nine have defaulted on their loans and nine are in forbearance.

**3. Loans for Teachers and Mobility Instructors of Visually Impaired Pupils (HEAB).** This program, which was created in 1999 Act 144, provides loans of up to \$10,000 per year to defray the cost of tuition, fees and expenses for students enrolled in a degree-granting program that prepares them to be licensed as teachers of visually impaired pupils or as orientation and mobility instructors. A student may receive a maximum of \$40,000 in loans under the program. Loan recipients must be Wisconsin residents who are enrolled at least half-time at an accredited institution of higher education in Wisconsin, Minnesota, Iowa, Illinois, or Michigan. HEAB is required, to the extent possible, to give preference to persons who are likely to return to Wisconsin to work with visually impaired persons.

Once a recipient completes the degree program, their loans are forgiven if they are licensed and employed as a teacher of visually impaired pupils or as an orientation and mobility instructor by a school district, the Wisconsin Center for the Blind, and Visually Impaired or a cooperative educational service agency. For loan recipients who are employed full-time, HEAB is required to forgive 25% of the principal and interest on the loan for each of the first and second fiscal years and 50% of the principal and interest amount for the third fiscal year. For persons who are employed less than full-time, HEAB may forgive loans on a prorated basis. For 2002-03, \$100,000 GPR was appropriated for the program.

For 2001-02, a total of \$55,066 was expended for seven students, averaging \$7,867 per student. Of these students, three were enrolled at out of state

institutions and four were enrolled at in-state institutions.

**4. Nursing Student Stipend Loan (HEAB).** This program provided need-based, forgivable loans of up to \$2,500 per year to upperclassmen resident undergraduate students who were enrolled full-time in an eligible Wisconsin institution's nursing program. The stipend loan could be forgiven at a rate of \$1,000 for each year of employment as a registered nurse in a Wisconsin hospital, nursing home or public health agency. A provision in 1995 Act 27 prohibited any new students from participating in the program beginning with the 1995-96 academic year. As of 2001-02, of the 1,202 students who received loans under the program, 122 are employed at eligible institutions, 865 have repaid their loans or had them forgiven in full, 179 are in repayment, 33 withdrew from the program and refunded the money, and three are in forbearance.

**5. Douglas Scholarship (Federal).** This was a forgivable loan program funded by the federal government and administered by HEAB. The program was restricted to undergraduates at either UW campuses or private colleges who were training to become teachers and graduated in the top 10% of their high school class. Scholarships are forgiven at a rate of 25% for each year the recipient teaches school. Amounts not forgiven have to be repaid at an interest rate that is set by the federal government and usually ranges from 10% to 12%. This program was repealed in 1995-96 and none of the 213 students who received the awards are still enrolled. However, 29 students were still in deferment or repayment. An additional 44 students are currently employed, and 139 students have had their loans completely forgiven or have repaid them.

**6. Physician and Dentist Loan Assistance Program (Department of Commerce).** This program was created in 1989 Act 317 and expanded to include dentists under 2001 Act 16. Loans are repaid for physicians and dentists who agree to practice in an eligible practice area.

Physicians and dentists may also participate in an expanded loan assistance program funded with federal and matching state funding if they are a U.S. citizen and meet other requirements including: (1) agreeing to practice at a public or private nonprofit entity in a health professional or dental health shortage area as defined under federal law; (2) accepting Medicare assignment as payment in full for services or articles provided; and (3) using a sliding fee scale or a comparable method of determining payment arrangements for patients who are not eligible for Medicare or medical assistance and who are unable to pay the customary fee for the physician's services. The Department of Commerce may repay, on behalf of a physician or dentist, up to \$50,000 over a three-year period in educational loans obtained by the physician or dentist from a public or private lending institution for education in an accredited school of medicine or for postgraduate medical training. The loans are repaid according to the following schedule: (1) 40% of the principal up to \$20,000 in the first year; (2) 40% of the principal up to \$20,000 in the second year; and (3) 20% of the principal up to \$10,000 in the third year.

Through June, 2002, 106 physicians and two dentists had participated in the program. The physician and dentist loan assistance program is funded through the Department of Commerce's physician, dental, and health provider loans appropriation; funding for the appropriation is \$488,700 PR and \$200,000 FED in 2002-03.

**7. Health Care Provider Loan Assistance Program (Department of Commerce).** This program was created in 1993 Act 31 and expanded to include dental hygienists under 2001 Act 16. Its purpose is to encourage primary care providers, including physician assistants, nurse-midwives, nurse practitioners, and dental hygienists to locate in areas of the state that are underserved by primary care providers or dental professionals according to a federal definition. The program also provides an expanded loan assistance program funded with federal and matching state monies. To be eligible for loan repayment under this program,

the health care provider must be a U.S. citizen and not have a judgment lien against their property for a U.S. government debt. The health care provider must also meet the following additional requirements: (1) practice at a public or private nonprofit entity in a health or dental health professional shortage area as defined under federal law; (2) agree to accept Medicare assignment as payment in full for services or articles provided; and (3) use a sliding scale or comparable method of determining payment arrangements for patients who are not eligible for Medicare or medical assistance and who are unable to pay the customary fee for the provider's services.

The Department of Commerce may repay, on behalf of health care providers, up to \$25,000 over a three-year period in loans obtained from a public or private lending institution for education related to the health care provider's field of practice. The loans are repaid according to the following schedule: (1) 40% of the principal up to \$10,000 in the first year; (2) 40% of the principal up to \$10,000 in the second year; and (3) 20% of the principal up to \$5,000 in the third year.

Through June, 2002, 26 health care providers had participated in the program. The health care provider loan assistance program is funded through the Department of Commerce's physician, dental, and health provider loans appropriation; funding for the appropriation is \$488,700 PR and \$200,000 FED in 2002-03.

## **Repayable Loan Programs**

**1. Perkins Loan (Federal).** This is a campus-based program, formerly known as the National Direct Student Loan, that provides federally-funded loans at 5% interest to help students pay for educational costs. Each participating educational institution is required to match federal funds with an amount equal to either 25% of the institution's total federal and institutional funding for the loans or one-third of the federal contribution. Repaid loans become part of a

revolving account from which new loans are made. To be eligible, students must enroll at least half-time in an undergraduate or graduate program. Awards are based on financial need, the availability of funds and the amount of other aid a student receives.

The maximum amount that may be borrowed under the Perkins Loan program is \$4,000 annually for undergraduates, with a maximum total of \$20,000 for undergraduate study, and \$6,000 per year for graduate students, with a maximum total of \$40,000 including any amounts borrowed as an undergraduate. Interest does not accrue while the student is in school and repayment does not begin until nine months after one's studies are completed. Depending upon the size of the loan, students have up to ten years to repay. Up to 100% of a Perkins loan may be forgiven if, upon graduation, the borrower is employed in a specified field such as teaching in a Head Start program or low-income school or nursing. In addition, borrowers in the Armed Forces may have 50% of their loans forgiven for each year of consecutive service in an area of hostility or imminent danger. In 2000-01, a total of \$24.3 million was provided to 14,213 undergraduates, with loans averaging \$1,712.

**2. Stafford Student Loan (Federal).** The SSL (formerly the Guaranteed Student Loan) is a low-interest loan provided by a private-lender such as a bank, credit union or savings and loan association to help finance educational costs. These loans are insured by a guarantee agency (the Great Lakes Higher Education Corporation [GLHEC] for Wisconsin) and reinsured by the federal government. Students who are enrolled at least half-time in an undergraduate or graduate program are eligible. If financial need is demonstrated, students may qualify for a "subsidized" loan; if not, they may receive an "unsubsidized" loan. The difference between these two loans is that for subsidized loans, the federal government pays the interest on the loan while the student is in school or in deferment.

Under the subsidized loan program, dependent undergraduate students may borrow up to \$2,625 the first-year, \$3,500 the second year and \$5,500 in subsequent years up to a maximum of \$23,000. Independent students may borrow up to \$6,625 the first year, \$7,500 the second year and \$10,500 in subsequent years up to a maximum of \$46,000. However, these loans may be subsidized only up to the maximum amounts available for dependent students. Graduate and professional students may borrow up to \$18,500 each year up to a maximum of \$138,500. Of this amount, only \$8,500 annually may be in the form of subsidized loans.

Subsidized and unsubsidized Stafford loans are subject to a two-tier variable interest rate structure capped at 8.25%. The current formula sets the interest rate for any Stafford loan first disbursed on or after July 1, 1998 at 1.7 points above the average, three-month Treasury bill rate for borrowers who are in school, grace and deferment periods. The interest rate for loans that are in forbearance or repayment is set at 2.3 points above the average, three-month Treasury bill rate. For the period July 1, 2002, through June 30, 2003, the interest rate for loans in repayment is 4.06%. The loans also carry a loan origination fee of 3% as well as a loan guarantee fee of 1%. Loan repayments may be deferred up to three years in the event of economic hardship, and be canceled in the event of the death or permanent disability of the borrower. The Stafford Student Loan program remains the largest federal loan program in Wisconsin. In 2000-01, 64,395 Wisconsin undergraduates received Stafford Loans averaging \$2,710, for a total value of \$174.5 million.

**3. Parent Loans for Undergraduates (Federal).** This non-need based loan program is made by private lenders to parents of dependent students who are enrolled at least half-time. Like the Stafford Loan program, PLUS loans can only help finance educational costs and are provided by private lenders who are insured by GLHEC and reinsured by the federal government. The amount borrowed cannot exceed the difference between the student expense budget and all other financial aid.

The interest is a variable rate based on the three-month Treasury bill and is adjusted annually with a cap of 9%. For 2002-03, the interest rate is 4.86%. Unlike the Stafford Student Loan, the federal government does not pay the interest while the student is in school. Generally, borrowers have at least five, but no more than 10 years to repay the loan. Borrowers may defer payments of the principal, and accrue interest, while in school or due to circumstances of economic hardship. If either the borrower or the child of the borrower dies, the loan may be forgiven.

**4. Federal Direct Student Loan (Federal).** This program consists of Federal Direct Stafford Loans (subsidized and unsubsidized) and Federal Direct PLUS loans. The difference between these loans and their counterparts previously described is that the U.S. Department of Education is the lender, rather than a bank or credit union, and delivers loan proceeds through the school. Direct Loans were first made for periods of enrollment beginning on or after July 1, 1994. In 2002-03, four UW institutions (Milwaukee, Eau Claire, Superior, and Whitewater), and five private colleges (Concordia University, Lawrence University, Marquette University, Northland College, and Saint Norbert College) offer direct student loans. In addition to the traditional fixed payment option, extended payment, graduated payment, with smaller payments initially, and income contingent repayment, with payments determined by borrower and spouse income, options are available.

**5. Consolidation Loan (Federal).** This program allows the borrower to replace Stafford, Perkins, and Federal Direct Student Loans with one loan having a lower payment than the total payments on the original loans. Parents may also be able to consolidate PLUS loans. Three payment options (fixed, graduated and income-contingent) are available. The interest rate on a consolidation loan is the weighted average of the interest rates on the original loans, rounded up to the nearest 1/8%. By law, the interest rate cannot exceed 8.25%.

**6. Personal Loan Program (Veterans**

**Affairs).** Under the personal loan program (PLP), eligible veterans can receive a low interest loan of up to \$15,000 for up to 10 years for a variety of purposes, including for the education of a veteran, spouse, or their children. As of July 2002, the interest rate charged was 5% for loans secured by a mortgage and was 6% for loans secured by a guarantor. The PLP was created by 1997 Act 27 and replaced the veterans consumer loan and economic assistance loan programs, both of which also allowed the use of loans for educational purposes. Veterans received 100 loans under the program for educational purposes in 2001-02 totaling \$545,745, and averaging \$5,457 each.

### **Scholarship Programs and Institutional Aid**

Scholarship money may come from a variety of governmental and private sources. For example, the Byrd Scholarship is a federally-funded award given to selected high school graduates for their first year of college studies. In addition, students may receive a National Merit Scholarship or scholarships funded by local civic or religious groups. The Academic Excellence Scholarship is the only current state-supported financial aid program that is not need-based.

**1. Academic Excellence Higher Education Scholarships (HEAB).** This program provides scholarships to selected 12th grade students who have the highest grade point average (GPA) in each public and private high school in the state. The number of scholarships for which each high school is eligible is based on total student enrollment. One scholarship is awarded to each high school with an enrollment of between 80 and 499 students. If a high school has an enrollment of 500 students or more, scholarships are awarded as follows: 500-999 students--two scholarships; 1,000-1,499--three scholarships; 1,500-1,999--four scholarships; 2,000-2,499--five scholarships; and over 2,500, six scholarships.

For those high schools with total enrollments of less than 80 students, no more than 10

scholarships, in aggregate, may be awarded. Under HEAB administrative rule, the 10 students with the highest GPAs are awarded scholarships. In the event of a tie, eligible students are ranked according to ACT or SAT scores. If a tie still remains, students are chosen based on the quality and content of letters submitted by the students indicating the reasons they feel qualified to receive the scholarship.

For those high schools with enrollments greater than 80 students, the faculty of each public or private high school is required to name the 12th grade student who has the highest GPA, as it is normally determined by that high school, as eligible to receive a scholarship. Except under certain circumstances, if two or more students in the same high school have the same GPA, the faculty is required to select the student to receive the scholarship and designate the other student as an alternate. HEAB administrative rules require each high school to have a written policy that describes tie-breaking procedures and criteria used to determine and rank scholars. If the student who is initially selected does not use the scholarship by September 30 following high school graduation, the scholarship is awarded to the alternate. In most cases, the alternate scholar must have the same GPA as the originally designated scholar or scholars. However, a provision in 1999 Act 9 specified that this requirement does not apply to a high school that applies different weights to courses to determining each student's GPA. For these schools, if there are no other senior students with the same GPA as the originally designated scholar, the senior with the next highest grade point average would be named the alternate scholar. In 2001-02, 162 alternates received scholarships.

In order to receive a scholarship, a student must be enrolled at a participating UW, Wisconsin Technical College or private, nonprofit postsecondary institution in the state by September 30 of the academic year following the year in which the student graduated from high school. The

student must enroll on a full-time basis. Prior to 1996-97, the AES scholarship award covered full tuition and fees at a UW campus or Wisconsin Technical College, or an amount equal to the UW-Madison tuition and fees for students attending private institutions in Wisconsin. Freshman scholars who enrolled in 1996-97 and thereafter receive a maximum of \$2,250 per year. Half of the scholarship is funded by the state, while the other half is matched by the institution. Tuition and fees in excess of \$2,250 are paid by the student. Under 1991 Act 269, UW System institutions may use tuition remissions as part of the institutional match.

Prior to 1997-98, the program was funded through a biennial appropriation and the statutes specified that if the amount of the appropriation in any fiscal year were insufficient to make full scholarship payments, the payments would be prorated. A provision in 1997 Act 27 changed the appropriation for the program from a biennial to a sum sufficient appropriation beginning in 1997-98.

For each year the student is enrolled full-time, he or she must maintain at least a 3.000 cumulative grade point average and make satisfactory progress toward an associate or a bachelor's degree. Therefore, a student may lose, and then regain program eligibility as their cumulative grade point fluctuates. No student is eligible for a scholarship for more than four years at a UW or private, nonprofit postsecondary institution or for more than three years at a Wisconsin Technical College.

In 2001-02, a total of 2,781 academic scholars were enrolled in eligible schools: 777 freshmen, 708 sophomores, 636 juniors, and 660 seniors. The total value of the scholarships was \$6,042,634. The enrolled students represent approximately 72% of the 3,868 eligible students. At the end of the 2001-02 academic year, reports from postsecondary institutions indicated that, of the 1,087 eligible students not enrolled, 85 lost eligibility by not maintaining a 3.0 GPA and 92 lost eligibility for not carrying a sufficient number of credits. The

**Table 9: Enrollment Data for Academic Scholars Attending Wisconsin Postsecondary Institutions**

	1998-99	1999-00	2000-01	2001-02
<b>UW System</b>				
Madison	1,368	1,366	1,388	1,440
Milwaukee	89	108	106	100
Eau Claire	135	147	129	140
Green Bay	50	62	51	57
La Crosse	134	132	134	136
Oshkosh	53	52	50	57
Parkside	15	18	16	15
Platteville	77	99	83	81
River Falls	54	50	41	46
Stevens Point	79	106	101	103
Stout	29	34	36	38
Superior	10	7	12	12
Whitewater	64	67	62	55
Colleges	<u>14</u>	<u>22</u>	<u>18</u>	<u>21</u>
Subtotal	2,171	2,270	2,227	2,301
<b>WI Technical Colleges</b>	14	14	12	18
<b>Independent Colleges</b>				
Alverno	4	3	3	5
Bellin	1	4	3	1
Beloit	12	9	10	11
Cardinal Stritch	5	4	4	4
Carroll	31	38	39	33
Carthage	12	12	8	13
Concordia	9	10	12	9
Edgewood	3	2	6	5
Lakeland	3	7	5	5
Lawrence	50	51	36	43
Maranantha	8	10	6	9
Marian	4	6	5	4
Marquette	121	130	136	138
Milw. Art & Design	0	0	1	1
Milw. Sch. of Engineering	27	32	37	46
Mount Mary	1	3	4	3
Mount Senario	1	1	1	1
Northland	3	1	3	4
Ripon	19	26	23	23
St. Norbert	61	58	57	70
Viterbo	15	17	15	9
Wisc. Lutheran	<u>11</u>	<u>13</u>	<u>17</u>	<u>25</u>
Subtotal	401	437	431	462
<b>TOTAL</b>	2,586	2,721	2,670	2,781

remaining 910 students were enrolled at out-of-state institutions or were otherwise ineligible from the start. Table 9 details Academic Excellence Scholarship recipients by campus for the past four years. Of the 2,781 scholarship recipients in 2001-

02, 472 (17.0%) received other state grants based on financial need.

In 2001-02, \$3,021,317 GPR was expended by HEAB on these scholarships. In addition, the UW System provided \$2,456,535 as part of its required institutional match, of which approximately \$1.8 million was covered by tuition remissions.

**2. UW Institutional Financial Aid.** In 2000-01, UW students received approximately \$23.2 million from institutionally funded financial aid grant, loan and work programs through gifts and donations, trust funds and the UW Alumni Research Foundation. The largest campus-based programs were at Madison (\$19.9 million) and Milwaukee (\$678,200), with the smallest at Platteville which provided \$42,700 in privately-funded financial aid.

**3. Technical College Institutional Financial Aid.** Technical colleges offer institutional assistance to students through grants from technical college foundations and student employment. For 2000-01, technical colleges provided approximately \$4.8 million in institutional assistance to students. Of this aid, \$0.7 million was provided as need-based grants and \$4.1 million was provided in the form of non-need-based employment, grants, scholarships and loans.

In 2000-01 and 2001-02 recent high school graduates who enrolled full-time in WTCS and met certain eligibility requirements were eligible to receive \$250 semester grants. These grants, which WTCS referred to as technical and occupational program grants (TOP), were provided to a student at a technical college who graduated from high school or received a high school equivalency diploma within three years of enrolling full-time in a technical diploma or associated degree program. The program, as originally enacted under 1999 Act 9, provided grants to eligible students for up to four semesters. A provision in 2001 Act 16, limited eligibility to two semesters for students first receiving an award during the 2001-02 academic year. A provision in 2001 Act 109 eliminated the

TOP grant program effective July 1, 2002. During the 2000-01 academic year, approximately 11,700 grants were awarded totaling \$2.9 million. In 2001-02, the final year of the program, 9,225 students received TOP grant awards totaling approximately \$3.8 million.

**4. Aid Provided by Independent Colleges and Universities for Resident Undergraduates.** For 2000-01, need-based financial aid provided by individual private colleges and universities in Wisconsin to resident undergraduate students totaled \$52.8 million, or approximately 35% of the total need-based aid provided to resident undergraduates attending independent colleges. This aid consisted of \$50.4 million in institutional grants, \$1.9 million in institutional loans, and \$0.5 million in institutional work-study. In addition, independent colleges provided \$31.2 million in non-need-based employment, grants, scholarships and loans in 2000-01.

### **Special Programs**

**1. Minnesota-Wisconsin Reciprocity Program.** This agreement allows Minnesota and Wisconsin residents to attend public postsecondary institutions in the adjacent state without having to pay nonresident tuition. Students participating under the agreement pay a reciprocal fee that cannot exceed the higher of the two states' resident tuition rates. The agreement is negotiated and administered jointly by HEAB and the Minnesota Higher Educational Services Office (MHESO). While the agreement is not included in the Minnesota statutes, Wisconsin law specifies that the agreement is subject to the approval of the Joint Committee on Finance. In addition, HEAB and MHESO are required to jointly prepare an annual administrative memorandum that establishes the policies and procedures for implementation of the agreement, including a description of how the reciprocal fees will be calculated for the upcoming academic year. The administrative memorandum is subject to the approval of the Joint Committee on Finance under a 14-day passive review process. While the current

agreement does not contain a specific expiration date, it may be modified at any time upon mutual agreement of both states. Additional details on this agreement are contained in Informational Paper #72, prepared by the Legislative Fiscal Bureau entitled, "Education and Income Tax Reciprocity Agreements."

**2. Other UW Financial Aid.** In addition to the funding for financial aid programs for minority and disadvantaged students and the institutional match for the Academic Excellence Scholarship program previously described, the UW System has budgeted \$1,357,690 GPR for 2002-03 for the required institutional match for federal loan programs (\$918,529), LaFollette Institute fellowships (\$110,000), other UW-Madison fellowships (\$146,000), and UW-Milwaukee fellowships (\$183,161).

**3. UW System Nonresident Tuition Remissions.** Current law permits the Board of Regents to remit the nonresident portion of tuition for a number of students including: (1) those on athletic scholarships; (2) needy and worthy students on the basis of merit, not to exceed an amount equal to full remissions for 8% of the number of nonresident students registered at that institution in the preceding year; (3) up to an additional 2% of nonresident students as in "(2)" who are deserving of relief due to extraordinary circumstances; and (4) needy and worthy foreign or non-U.S. resident students who are citizens, not to exceed 2% of a campus' FTE enrollment. Regents also remit nonresident tuition for students enrolled under the Tuition Award Programs at the Superior and Parkside campuses.

In 2000-01, 3,593 students received these remissions, which amounted to \$19.1 million. About 40% of this amount was for the "Regents' Nonresident 8%" and the "Regents' extraordinary 2%." Other nonresident recipients of remissions included athletes receiving scholarships (45%) and foreign students (15%).

**4. UW System Tuition Remissions for**

**Graduate Assistants.** Prior to 1997-98, the Board of Regents was allowed to remit the nonresident portion of graduate students' tuition provided those students held fellowships or were employed by the University with at least a 33% appointment as UW faculty, instructional academic staff or assistants. The 1997-99 state budget (1997 Act 27) expanded this provision to include resident graduate assistants and to provide remissions of all tuition, rather than just the nonresident portion. The intent of this modification was to allow UW institutions, particularly UW-Madison and UW-Milwaukee to compete more effectively with other institutions in the recruitment and retention of these students. Institutions in other states generally provide lower salaries, but remit all tuition.

Beginning with the 1997-98 Spring semester, UW-Madison and UW-Milwaukee have provided full remission of resident and nonresident tuition for teaching assistants and program/project assistants as part of the collective bargaining agreements for these groups. Research assistants also receive full remissions at Madison and remissions of up to \$100 per semester at Milwaukee. Graduate assistants at the other four-year campuses in the UW System currently receive remissions of \$50 per semester. At the time these remissions were provided, the salaries of these students were also reduced. For 2000-01, a total of 8,571 graduate assistants and fellows received approximately \$62.7 million in remissions. Of these, 2,097 students were residents who received remissions totaling \$6.1 million. Over 88% of graduate students who received remissions under this provision were employed at UW-Madison while approximately 8% attended UW-Milwaukee.

**5. Tuition Remissions for Children and Spouses of Certain Protective Services Officers.** Provisions in 1995 Act 228 and 1997 Act 163 require UW and WTCS institutions to grant full remission of fees, including tuition and student segregated fees, to any resident student who is enrolled in a college parallel program or a program leading to a bachelor's degree, associate degree or vocational diploma and who is the child or spouse of a

correctional officer, fire fighter or law enforcement officer who was killed in the line of duty in this state. The remissions were expanded in 1997 Act 163 to include surviving spouses of such officers, and again in 1999 Act 130 to include spouses and children of ambulance drivers and emergency medical services technicians who were killed in the line of duty. In order to be eligible to receive the remission, a child must have been under the age of 21 or not yet born when his or her parent was killed. In 2002-03, \$30,000 GPR is provided to the Board of Regents, and \$14,300 GPR to the WTCS Board to cover the cost of the remissions. In 2001-02, remissions totaled \$29,300 for 11 UW students and \$5,756 for two WTCS students.

**6. College Work-Study (Federal).** This program is a campus-based program that provides part-time jobs for undergraduate and graduate students. Students may be employed by the institution, public or non-profit employers, and must be paid the federal minimum wage. In most cases, the employer provides 25% of the student's salary. The award amount is based on financial need, availability of funds and the amount of aid the student receives from other programs. Earnings from work-study jobs are not included in the student's income when reapplying for financial aid in subsequent years. In 2000-01, a total of \$13.6 million was provided to 11,359 students, averaging \$1,196.

**7. EdVest Wisconsin Program.** Prior to January, 2003, the EdVest Wisconsin Program consisted of two separate programs: (a) the college tuition and expenses program (also known as a tuition unit purchase program) that was created by 1995 Act 403 and was first available beginning July 1, 1997; and (b) the college savings program which is a savings plan which has different investment options. These programs are in the Office of the State Treasurer.

*College Tuition and Expenses Program.* As permitted under the law, the State Treasurer has elected to terminate any future enrollments in the EdVest Program's original tuition unit option and to curtail the

sale of any new tuition units to current account holders. Current tuition unit account holders may continue to hold their current tuition unit investments until maturity or may convert their account to any of the investment options now offered under the college savings program described below. As of June 30, 2002, under this program there were a total of 2,698 accounts with total assets of \$13,023,147.

*College Savings Program.* This program was initially established by 1999 Act 44 and subsequently further modified by 2001 Act 7. The EdVest college savings program is a qualified state tuition program under Section 529 of the U.S. Internal Revenue Code and is designed as a savings vehicle for higher education expenses. It is administered by the Office of the State Treasurer under the authority of the College Savings Program Board. The Board is composed of 11 members (the State Treasurer, the President of the University of Wisconsin Board of Regents, the President of the Wisconsin Association of Independent Colleges and Universities, the President of the Wisconsin Technical College System, the Chair of the State Investment Board and six public members appointed by the Governor to four year terms). Day to day management of the program is contracted to Strong Capital Management, Inc., which is responsible for the program's investment management, marketing activities, account administration and record-keeping. In addition, a somewhat different version of the program, called tomorrow's scholar college savings plan, is also offered jointly by Strong and American Express Financial Corporation.

Under either of the programs, any person aged 18 or over may open an account and the beneficiary of an account may be anyone, even the account owner. There may be only one beneficiary per account, but a person may open any number of accounts. There is no state residency requirement or income limitation on the person opening the account. A minimum initial investment of \$250 is required unless an automatic investment plan is selected. There is no limit on the maximum annual contribution except that the maximum amount that

may be contributed to an account is \$246,000. The beneficiary of an account may use the proceeds of the account at any eligible post-secondary school in this country or elsewhere. The money may be used for a wide-range of educational expenses such as tuition and other fees, room and board, and educational supplies.

The investment options under the two programs vary somewhat. Under the EdVest college savings program, there are currently seven investment options. Under a fixed allocation option, there are six different portfolios: aggressive, moderate, balanced, index, bond and stable value. There is also an age-based option, where the contributions in the account are periodically shifted (based on the number of years remaining before the account beneficiary will be enrolled in a higher educational institution) as follows: 10 or more years to college – aggressive portfolio; seven to nine years to college – moderate portfolio; three to six years to college – balanced portfolio; and less than three years to college – stable value portfolio. Each portfolio is aimed at meeting its objectives by investing primarily in mutual funds offered by Strong Investments, Inc., that have been approved by the College Savings Program Board.

Under the tomorrow's scholar college savings plan, there are currently six investment options. Under a fixed allocation option, there are three different portfolios: aggressive, balanced and conservative. Under an age-based option, there are three different options (which blend various equity percentage portfolios, based on years to college for the beneficiary), under an aggressive, moderate or conservative growth approach. In this program, each portfolio is aimed at meeting its objectives by investing primarily in mutual funds offered by American Express Financial Advisors, Inc., and Strong Investments, Inc.

Under either of the two programs, only one investment option per account may be selected. However, a different investment option for an account may be selected once during any 12 month period.

Under current law, Wisconsin residents who

make a contribution to an EdVest college savings program account (including the tomorrow's scholar program) that they have established for their dependent child or their grandchild may receive a Wisconsin state income tax deduction of up to \$3,000 per child or grandchild. Investment earnings on the contributions are exempt from both the federal income tax and the Wisconsin state income tax if the withdrawals are used for qualified higher education expenses.

Under the EdVest college savings program, there is one-time \$10 enrollment fee, a \$10 per year account management fee (unless an automatic deduction plan has been elected or the account balance is above \$25,000), and a 1.15% annual assessment of the value of the assets of the account (except for the stable value portfolio, where the annual assessment is 0.90%). Under the tomorrow's scholar college savings plan, there is a one-time enrollment fee of \$10, a \$10 per year account management fee (unless waived) and a 1.17% annual assessment of the value of the assets of the account.

As of June 30, 2002, there were a total of 40,713 accounts open in the college savings program with total assets of \$163,938,000 and a total of 52,781 accounts open in the tomorrow's scholar program with total assets of \$276,717,700.

**9. Wisconsin Educational Opportunity Programs (Public Instruction).** The Department of Public Instruction administers five statewide programs and one federal program whose primary goal is to assist minority and economically disadvantaged middle school and high school students in pursuing postsecondary educational opportunities. Currently, students in all school districts are counseled through seven district offices located in Ashland, Eau Claire, Green Bay, Madison, Milwaukee, Racine, and Wausau. A total of 37.0 full-time equivalent (FTE) positions, including 14.5 GPR positions, are currently authorized for WEOP. In 2001-02, \$1,011,900 GPR was expended to operate the district offices. One of the five programs, the Talent Incentive Program, was discussed earlier in this paper. The other four

programs are:

*Talent Search Program.* Counselors assist high school students and adults in defining educational goals, applying and enrolling in postsecondary institutions and obtaining financial aid. WEOP staff members also work with institutions, schools, community organizations and churches by giving presentations and acting as a resource for materials and information. In 2001-02, WEOP staff provided 14,300 individual counseling sessions to students and reached over 9,700 parents and students through financial aid presentations at schools and community organizations. A total of 1,115 students were placed in postsecondary education institutions under the program.

*Early Identification Program.* WEOP annually identifies and recruits economically disadvantaged eighth-grade students to participate in this program which provides early intervention services to students in order to reduce attrition at the secondary and postsecondary levels. Program staff work with eighth- through twelfth-grade students, their parents and schools to address the problem of low matriculation through long-term counseling and career goal assessment. In 2001-02, 860 eighth graders were selected to participate. Students remain in the program throughout high school and into college. Of the 1,474 students in the program in 2001-02, 331 were seniors. Of these seniors, 315 (95%) graduated and 277 (84%) enrolled at postsecondary institutions. Each year, many of these students are selected to receive TIP grants.

*Minority Precollege Scholarship Program.* This program, first implemented in 1983-84, provides grants to minority middle school and high school students to cover full student costs of precollege programs, including courses, books, supplies and room and board, if necessary. Precollege programs which emphasize academic skills development, career guidance, curriculum enrichment and financial aid information are offered to eligible students through UW campuses, Technical Colleges and

private colleges. The student must first be admitted to a precollege program to qualify for a scholarship. In 2001-02, approximately 3,500 middle and high school students received a total of \$1,525,000 to fund their participation in precollege programs statewide. These students participate in programs administered by UW campuses, technical colleges and private colleges. All 426 school districts are eligible to participate in the program.

*Gear Up Program.* Since 1995-96, WEOP has administered this federal program which was formerly known as the National Early Intervention Scholarship program. In 2001-02, 200 low-income students received a total of \$764,400 in college and precollege scholarships under the program. An additional \$268,900 was distributed to the seven WEOP district offices to support activities such as college visitations and parental involvement programs. Finally, \$102,000 was used to contract with the Bray Center in Racine to provide services to middle school pupils considered to be very at-risk of not completing high school. These services included parental involvement activities, mentoring, tutoring and counseling.

## **Tax Incentives**

**1. Higher Education Tax Deduction (State).** A provision in 1997 Act 237 (the 1997-99 budget adjustment act) created a tax deduction for tuition expenses incurred by a taxpayer or a taxpayer's dependent. Beginning with the 1998 tax year, a taxpayer may deduct allowable expenses up to \$3,000 per student, per year. Allowable expenses include tuition paid to any university, college, technical college, or a school approved by the Educational Approval Board that is located in Wisconsin. The deduction also applies to tuition paid by a Wisconsin resident to attend a public vocational school or public college or university in Minnesota under the Minnesota-Wisconsin reciprocity program. The maximum amount of the deduction phases out as income increases and is eliminated when income exceeds \$60,000 for single taxpayers, and \$100,000 for married taxpayers filing joint re-

turns.

**2. Higher Education Tax Deduction (Federal).** For tax years 2002 through 2005, a federal deduction for qualified higher education expenses is also available. For 2002 and 2003, the deduction is limited to \$3,000 of qualified expenses and is available to single taxpayers with income less than or equal to \$65,000 (\$130,000 for married couples filing joint returns). The deduction is not available to married taxpayers filing separately or to an individual who can be claimed as a dependent by another taxpayer. To be eligible for the deduction, the taxpayer's tax return must include the name and taxpayer identification number of the student for whom the qualified expenses were paid (unlike the state higher education tax deduction, the student need not be the taxpayer or taxpayer's dependent).

For tax years 2004 and 2005, the same income limits apply, but the maximum deduction increases to \$4,000. In addition, a deduction of up to \$2,000 is provided for taxpayers with income between \$65,000 and \$80,000 (\$130,000 and \$160,000 for joint filers) for tax years 2004 and 2005. The federal higher education tax deduction is eliminated after 2005.

**3. HOPE Scholarship Tax Credit (Federal).** Hope credits are available to individuals who pay qualified tuition and related expenses of higher education for either themselves or a dependent. Degree-seeking students who are enrolled at least half-time and are in one of the first two years of college are eligible for a tax credit of up to 100% of the first \$1,000 and 50% of the second \$1,000 in tuition expenses. Eligible expenses include tuition and required fees less any grants, scholarships or other tax-free financial assistance. The credit is gradually phased out for taxpayers with taxable incomes between \$40,000 and \$50,000 (for single filers) and between \$80,000 and \$100,000 (for joint filers). The maximum credit amounts as well as the income limits will be indexed for inflation after 2001.

**4. Lifetime Learning Tax Credit (Federal).** Tax filers may claim a lifetime learning tax credit if they pay qualified tuition and related expenses of higher education for an eligible student, either themselves, a spouse or a dependent that is claimed as an exemption. Students beyond the first two years of college or those enrolled for less than half-time are eligible for a 20% tax credit on the first \$5,000 of tuition expenses paid each year through 2002, and for the first \$10,000 in expenses for each year thereafter. Eligible expenses include tuition and required fees less any grants, scholarships or other tax-free financial assistance. The credit is gradually phased out for taxpayers with taxable incomes between \$40,000 and \$50,000 for single filers, and between \$80,000 and \$100,000 for joint filers.

**5. Deduction for Higher Education Expenses (Federal).** Beginning in tax year 2002, a deduction for qualified higher education expenses will be available to tax filers who do not qualify for the Hope and lifetime learning credits because their adjusted gross income exceeds the phase out thresholds for those programs if the taxpayers adjusted gross income is less than \$65,000 for single filers and \$130,000 for joint filers. Individuals may deduct up to \$3,000 for qualified tuition and related expenses for themselves, a spouse or a dependent.

**6. Coverdell Education Savings Accounts (State and Federal).** Married taxpayers filing joint tax returns and individual filers (including the beneficiary) may contribute up to \$2,000 per designated beneficiary per year to a Coverdell Education Savings Account (CESA, formerly called an Education IRA). There are no relationship requirements between the contributor and the beneficiary. While contributions are not deductible from income, interest earnings are tax exempt and withdrawals are excluded from the beneficiary's income if used for eligible education expenses. Under coordination rules with other tax deductions and credits for education, qualified expenses for purposes of a CESA are reduced to reflect other education tax benefits taken.

The ability of an individual to make a contribution to a CESA is gradually phased out for contributors with taxable income between \$95,000 and \$110,000 (between \$190,000 and \$220,000 for joint filers). Starting with tax year 2002, funds from a CESA may be used to pay for qualified elementary and secondary education expenses in addition to qualified higher education expenses.

**7. IRA Withdrawals (Federal).** Early (before age 59 ½) withdrawals from a traditional IRA are not subject to the 10% tax penalty provided the distributions are used for postsecondary education expenses of the taxpayer, spouse, child or grandchild.

**8. Student Loan Interest Deduction (State and Federal).** An individual may deduct up to \$2,500 for interest paid on student loans during the first 60 months in which interest payments are required. Beginning in tax year 2002, the requirement that only interest paid during the first 60 months is eliminated. The deduction is phased out for single filers with taxable income between \$40,000 and \$55,000 and for joint filers with taxable income between \$60,000 and \$75,000.

**9. Employer-Provided Education Benefits (State and Federal).** Taxpayers may exclude from their taxable income up to \$5,250 in educational assistance benefits received from their employer. Eligible benefits include payments for tuition, fees, books, supplies and equipment. Courses do not have to be related to the business of the employer.

ous types and amounts of aid which enable a student to pay for educational costs. Some elements of a financial aid package are automatically included such as Pell Grants, which are determined at the time the parental contribution is determined by the federal processor, and WHEG and Tuition Grants which have been calculated by HEAB. On the other hand, programs such as Supplemental Educational Opportunity Grants, College Work Study, Perkins Loans and institutional grants are controlled and distributed by an institution's financial aid office. However, the amount of these awards is dependent upon the amount of Pell Grant, WHEG or TG awarded. Federal law allows greater latitude to aid officers in making changes to student contribution levels which may affect award amounts.

The financial aid package represents an attempt to rationalize and simplify the distribution of monies to students. The package is also developed in a hierarchy. For example, grants and scholarships are more desirable than loans and are, therefore, applied first to reduce a student's need. One exception to this rule is state grant programs for minority/disadvantaged students. These are added last to the financial aid package, replacing federal loan aid with state grant aid. For 2000-01, grant funds accounted for 50.3% of need-based financial aid, with loans at 45.0% and work-study at 3.2%. This ratio varies by the type of institution attended: grants account for 62.9% of the aid at independent colleges (where costs, and consequently need is the highest), 60.5% at technical colleges, and 36.7% at UW campuses.

This package is not the final step in the aid process, however, since the financial aid office does not control the distribution of guaranteed student loans from private lenders, although they do calculate a maximum loan. Finally, a student is under no obligation to accept the entire package. For example, a student could accept the grant and work-study aid but refuse the loans. Students must be registered for classes before aid can be issued to them at the beginning of a semester. They are also required to pay their tuition and fees with the

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## Financial Aid Package

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After a student applies for financial aid, the college attempts to meet as much of a student's need as possible by the offer of a financial aid package. Institutional financial aid officers are responsible for packaging a student's financial aid based on the needs analysis. Packaging is the selection of vari-

proceeds of the aid before the remaining aid is given to them.

Table 10 compares the average cost, need and need-based aid over the most recent five-year period for which information is available, by type of institution. While the average cost of attending a UW institution is only 7.8% greater than the cost of attending a Technical College, on average, the UW student receives approximately 54% more aid. The unmet need of a technical college student is almost twice as high as that of a student attending an independent college or UW institution.

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## Interstate Comparisons

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Table 11 shows the relative importance of need-based and total financial aid in state higher education budgets for 2000-01. Wisconsin is lower than the national averages in need-based grants per full-time undergraduate student (\$346), total aid (\$346), and aid as a percentage of state general funds for higher education (7.1%); nonetheless, Wisconsin ranks in the upper half of all states in all three areas. Wisconsin ranks above the national average for the percentage of students receiving aid (28.09%). Wisconsin's ranking has been relatively stable over the past few years.

**Table 10: Financial Aid Data by Institution Type: Resident Undergraduates**

	No. of Recipients	Avg. Cost	Avg. Contribution	Avg. Need	Avg. Aid	Unmet Need
<b>UW System</b>						
1996-97	44,900	\$8,430	\$2,596	\$5,835	\$4,589	21.4%
1997-98	45,273	8,827	2,762	6,065	4,670	23.0
1998-99	47,475	8,929	2,915	6,014	4,334	27.9
1999-00	44,260	9,516	3,298	6,217	4,632	25.5
2000-01	43,024	9,865	3,344	6,521	4,853	25.6
<b>Technical Colleges</b>						
1996-97	28,779	\$7,689	\$2,217	\$5,473	\$3,226	41.1%
1997-98	29,616	8,004	2,736	5,268	2,654	49.6
1998-99	29,944	7,990	2,905	5,085	2,633	48.2
1999-00	27,914	8,581	2,963	5,617	2,957	47.4
2000-01	26,883	9,155	2,830	6,325	3,139	50.4
<b>Private Colleges</b>						
1996-97	17,768	\$16,783	\$5,152	\$11,630	\$9,138	21.4%
1997-98	17,335	17,384	5,244	12,144	8,070	33.5
1998-99	17,493	17,592	6,339	11,253	7,633	32.2
1999-00	17,870	18,703	6,866	11,837	7,871	33.5
2000-01	18,703	18,910	7,232	11,678	8,068	30.9

**Table 11: 2000-01 State Grant Dollars to Undergraduate Students by State**

	<u>Grants Per Full-Time Student</u>		% of Students Receiving Aid	Aid as % of State Higher Ed. Funds
	Need-Based Aid	Total Aid		
New York	\$930	\$951	43.11%	20.70%
Illinois	824	876	30.48	14.97
New Jersey	810	917	35.53	12.82
Pennsylvania	749	749	33.78	17.33
Minnesota	650	650	13.75	9.36
Vermont	545	548	34.05	23.08
Indiana	515	522	20.42	9.10
Connecticut	461	465	20.15	6.44
Massachusetts	442	453	36.84	11.23
Washington	420	457	25.03	7.97
California	396	396	10.69	6.00
Iowa	394	398	13.14	6.44
Arkansas	391	495	14.24	6.47
<b>Wisconsin</b>	<b>346</b>	<b>346</b>	<b>28.09</b>	<b>7.10</b>
Kentucky	335	494	44.76	7.23
Maine	315	315	31.60	5.80
South Carolina	303	759	23.28	12.07
Michigan	301	301	14.15	5.09
Virginia	291	478	23.59	8.51
Maryland	281	324	22.43	4.90
West Virginia	274	274	15.86	5.02
Ohio	269	474	44.60	8.44
Colorado	256	331	22.08	7.83
New Mexico	255	565	55.10	7.27
North Carolina	216	445	16.43	6.57
Oregon	175	175	17.57	3.00
Texas	166	170	7.99	4.12
Tennessee	164	169	13.19	3.06
Oklahoma	157	232	15.62	4.23
Florida	147	671	21.70	11.49
Missouri	142	222	13.25	4.49
Nevada	141	290	6.42	4.70
Rhode Island	115	115	16.04	4.05
Kansas	111	112	4.03	1.97
Nebraska	80	80	11.94	1.28
Montana	66	96	13.84	2.31
New Hampshire	36	36	6.79	1.56
Delaware	35	47	3.23	1.00
North Dakota	24	35	4.57	0.62
District of Columbia	23	23	3.00	NA
Utah	22	22	1.56	0.68
Idaho	16	26	3.54	0.41
Arizona	16	16	1.88	0.35
Mississippi	15	199	27.36	2.31
Hawaii	13	13	1.01	0.16
Alabama	12	48	7.69	0.68
Louisiana	9	563	24.15	10.33
Georgia	0	1,386	73.59	20.02
Wyoming	0	0	0.00	0.00
South Dakota	0	0	0.00	0.00
Alaska	0	0	0.00	0.81
<b>US Average</b>	<b>\$367</b>	<b>\$480</b>	<b>22.65%</b>	<b>8.47%</b>

Source: National Association of State Student Grant and Aid Programs 32<sup>nd</sup> Annual Survey Report